

Adopted Resolution No. 2011-163 rescinding Resolution 93-30, thereby eliminating the Personal Computer Purchase Plan.

C-14 Adopt Resolution Updating the Policies and Procedures for Customer Credit Security Program in Accordance with the Fair & Accurate Credit Transactions Act of 2003 (CM)

Adopted Resolution No. 2011-164 updating the policies and procedures for Customer Credit Security Program in accordance with the Fair & Accurate Credit Transactions Act of 2003.

C-15 Adopt Resolution Approving Impact Mitigation Fee Program Annual Report for Fiscal Year 2010/11 (PW)

Adopted Resolution No. 2011-165 approving Impact Mitigation Fee Program Annual Report for Fiscal Year 2010/11.

C-16 Receive Report Regarding Communications Pertaining to Assembly Bills 438, 646, 1027, 1220, and 1344; Senate Bills 244, 293, 469, 734 and 922; and the Energy Efficiency and Conservation Block Grant Program (CLK)

Received report regarding communications pertaining to Assembly Bills 438, 646, 1027, 1220, and 1344; Senate Bills 244, 293, 469, 734 and 922; and the Energy Efficiency and Conservation Block Grant Program.

C-17 Set Public Hearing for November 2, 2011, to Consider Adoption of a Resolution Setting the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan Development Fees for 2012 (CD)

Set public hearing for November 2, 2011, to consider adoption of a resolution setting the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan Development Fees for 2012.

D. Comments by the Public on Non-Agenda Items  
THE TIME ALLOWED PER NON-AGENDA ITEM FOR COMMENTS MADE BY THE PUBLIC IS LIMITED TO FIVE MINUTES. The City Council cannot deliberate or take any action on a non-agenda item unless there is factual evidence presented to the City Council indicating that the subject brought up by the public does fall into one of the exceptions under Government Code Section 54954.2 in that (a) there is an emergency situation, or (b) the need to take action on the item arose subsequent to the agenda's being posted. Unless the City Council is presented with this factual evidence, the City Council will refer the matter for review and placement on a future City Council agenda.

Francisco Trujillo, representing the Community Partnership for Families, invited the City Council and public to the "Celebration on Central" event to be held at Joe Serna School on November 20, 2011.



Tom Ruemmler spoke in regard to his concerns about the challenges associated with the market and economy and related studies.

Brett Morgan introduced himself as the new judge in Department 15 of the San Joaquin Superior court.

Anthony Zagaroli spoke in regard to his concerns about the change in the utility bills that reflect due upon receipt in lieu of a specific date.

## Why is the U.S. in this economic crisis?

A major **ROOT cause of this declining economy is over-taxation and over regulation of new construction by government which has escalated home prices to unaffordable levels.** Below is a detailed explanation of the unforeseen detrimental ramifications of huge fees & regulations on new construction, what has happened to the economy, and logical low cost solutions which could greatly accelerate economic recovery in the U.S.

### AN EXAMPLE OF OVER TAXATION & REGULATION FOR STOCKTON, CALIFORNIA

Stockton is one of California's "affordable housing cities" and the epicenter of the housing crisis. Stockton's building permit fees increased about 300% between 2002 and 2010 and totaled about \$65,000 in 2010 for a 2000 sq. ft. home. There is another \$60,000 of additional costs associated with well-intentioned, but not well thought-through regulatory requirements. Governmental-induced costs exacerbated inflation. In 2002 a new 2000 sq. ft. home cost \$255,000; in 2006 it cost \$440,000 (**of which approximately \$125,000 are over-the-top regulatory fees**). Fees and regulations resulted in housing becoming unaffordable under the "old sound" borrowing requirements. Unfortunately government and private lenders responded to the unaffordability of homes by lowering borrowing requirements so people could buy homes to fulfill "the American Dream". Lower borrowing requirements resulted in many bad loans.

### LENDING BLUNDER

Soaring new home prices drove **up** existing home values. **All** housing became less affordable, especially to first time home buyers. Because federal government encourages the American dream of home ownership, borrowing requirements were reduced. There is a belief better communities are achieved with pride of ownership, resulting in reduced expense for police services. Borrowing standards were greatly reduced and home ownership increased from 67% to 69%; yes, only a difference of 2%. Subprime loans which were in existence for many years started being used more frequently. Borrowing qualifications and requirements on subprime loans were substantially reduced. In order to get under qualified clients to qualify, some loan officers committed fraud and then collected their commissions.

### CALIFORNIA LEAD THE U.S. INTO THE NATIONAL FINANCIAL CRISIS

25% of all bad home loans are from California. The bad loans were bundled with other loans to form loan packages sold by Wall Street. Some loans in the packages went bad. Bad loan packages resulted in the potential collapse of financial institutions and AIG who insured the packages.

### GOVERNMENT TREATED THE SYMPTOMS AND NOT THE CAUSE

The U.S. Government attempted to stop a financial collapse by bailing out AIG, Fannie Mae and banks. Government tried to stimulate the housing economy with the \$8,000 home purchase tax credit. The government bailouts benefit a few people, but are costly for all taxpayers and merely treat the symptoms and did **not fix** the **ROOT** cause of the financial and housing crisis.

It was local and state government's over taxation and regulation that made housing unaffordable in the first place. **Passing federal legislation to limit fees and regulations to no more than 3% of the costs of a new home would eliminate the ROOT cause.** This legislation will not add to federal costs, is easy to enact and administer - and benefits society and all states equally.

When new homes become affordable, jobs will be created resulting in stimulating the economy. Affordable housing will result in a sustainable housing economy and lead the U.S. out of the financial crisis.

Both political parties should be able to wrap their arms around legislation that limits fees and regulation to 3% of the cost of a new home. This legislation will stimulate jobs. The proposed federal legislation will force state and local governments to use tax dollars more effectively. It will force them to find alternative revenue sources that spread taxes more evenly across society. As a result, a larger number of tax payers means lower taxes for each individual. Lower taxes are more palatable. Hopefully politicians that do not back this logical solution for the housing and financial crisis will be voted out of office.

**Details of the solution are explained below.**

### **SOLUTIONS ARE EASILY IDENTIFIED IF YOU SOLVE THE PROBLEM BACKWARDS**

#### **WHAT CAN THE AVERAGE PERSON COMFORTABLY AFFORD?**

In order to have a sustainable economy, an average household income must be able to comfortably afford a house using the old lending standards and a 7.5% interest rate. The mean household income in Stockton California is about \$52,000. This income allows them to comfortably own a \$150,000 home with 20% down. They would have a \$120,000 fixed rate loan and would be paying 24% of their income for their principle, interest, taxes and insurance – their PITI payment.

#### **WHAT A NEW HOME NEEDS TO SELL FOR: LESS THAN \$176,000**

A new home can sell for \$176,000 if it can demand a 15% premium over an existing home. A contractor can **NOT** build a \$176,000 home if it costs **\$50,000 to \$100,000** for permits and regulations. In other states, fees and regulations are under \$4,000 and contractors can and do build the average house for under \$176,000 **Fees in California need to be under \$4,000 to compete with other states and to achieve a sustainable economy.**

### **THE RESULTS OF OVER TAXATION AND REGULATION INCLUDE THE FOLLOWING:**

#### **“LEVERAGE EFFECT” THE HUGE UNFORSEEN DETRIMENTAL EFFECT**

Governmental officials did not foresee the leverage effect of placing \$125,000 of fees and regulations on new homes. A 15% profit on the additional \$125,000 of costs increased new home prices by \$144,000. There are 77 existing homes for every new home built. For every 1,000 homes built, there are 77,000 existing home equities that had increased totaling **11 billion** dollars of equity. Many existing homeowners used their homes like piggy banks and tapped this equity. Many people used subprime loans to refinance. **Records reveal the majority of subprime loans were refinances.** Many borrowers defaulted and walked from their loans after they “sold” their house to the lending institution. Foreclosures devastated the value of neighboring homes. Over 11 billion dollars of additional buying power (demand) was created in Stockton and resulted in the unintended consequence of inflation, escalating housing prices even higher during boom times.

## TAXES AND FEES ARE PALATABLE IF SPREAD ACROSS SOCIETY

There are approximately 77 existing homes for every new home built (a 1.3% expansion rate). A better approach would be taxing **all** homeowners \$1623. This would collect the same amount of dollars as taxing the new home buyer \$125,000. Since many of the regulations do more harm than good, the government would only need to collect about \$400 in additional taxes on **all** houses (existing and new) to cover worthwhile expenses. Four hundred dollars is palatable; \$125,000 is not. One hundred and twenty five thousand dollars (\$125,000) greatly alters the free market system that the United States economy is based upon. History has shown that government decisions can greatly affect a free market economy.

## WHY WERE FEES PLACED ON CONSTRUCTION IN CALIFORNIA?

Fees escalated on the **incorrect** assumption that California's Prop 13 (which limited property tax increases to 2% per year) reduced government's income. Government used Nexus reports to justify fees on new construction. The 2010-2011 Stockton Nexus report, states "*Since the passage of Proposition 13, property tax revenues have been insufficient for capital funding ...*" "*...Given these funding difficulties, the City requires new development to pay fees to fund the facilities necessary to accommodate growth.*"

## ANALYSIS REVEAL PROP 13 WAS NOT THE PROBLEM

If the property taxes collected in San Diego County in 2010 are divided by the property taxes collected in 1977 (the year before Prop 13), it is discovered that \$7.20 is collected now for every dollar back then. Adjusting the dollar by 85% population growth and by 260% inflation reveals that we should be only collecting **\$4.80**. **Instead** we are collecting **\$7.20** – this is **1.5 times** what we need to collect. The foregoing figures should be further adjusted because worker productivity increases should result in fewer tax dollars needed. A mere 1% productivity increase per year reveals that we only need to collect **\$3.60**. However, government is collecting **\$7.20 in property taxes, plus exorbitant impact fees**.

## WHERE DID THE MONEY GO?

In the 1970's, governmental employees wages were lower than the private sector but they had good guaranteed retirement and benefit programs. Currently I would highly recommend employment in the governmental sector (especially the local government sector) because of the generous wage and benefit packages as opposed to the private sector.

## REGULATIONS – WELL INTENTIONED BUT NOT THOUGHT THROUGH

**An** example of "focused thinking" and not considering the unforeseen consequences of regulations is reflected in the attached pictures of a rainwater treatment tank that is installed in a subdivision of 303 homes on 77 acres in Stockton, California. The cost of this tank was about 2 million dollars. The rainwater treatment tank which is made from lots of steel and concrete is 400 feet long, 16 feet wide, 8 feet tall and is buried about 20 feet underground.

The tank caused more environmental harm than good. Rainwater tanks have the potential to be huge methane bombs as organic materials, such as leaves, decay. Other flammables such as solvents, diesel fuel, oil and leaks from natural gas lines, can accumulate in the tank. The tanks are breeding ponds for the mosquitoes carrying the West Nile Virus. Other significant negative environmental effects of these tanks include the air pollution from the methane gas produced by decaying matter in the tank, sediment haul off, hydrocarbons burned to dig the hole and install the tank. Also, include the pollution from the

production of the steel, concrete, and materials used for tank construction and transportation of those materials to the job site. Annually \$50,000 in extra taxes are collected from the **303** homeowners to maintain the tank. Additional taxes need to be collected to poison the water for mosquito prevention.

If future development projects in the United States are required to have rain water treatment facilities. Over the next 100 years, billions of dollars will be spent and less than 1/100 of a percent of the rainwater runoff will be treated. The decontamination of the rainwater runoff will be negligible for the billions of dollars that will be spent. There are less expensive alternatives which can help the environment.

The initial cost of the rain water tank, ongoing taxes and environmental harm is just one example of “not thought through” government regulations that add to building costs. There are numerous other regulations that are not needed and counterproductive. If drastic changes don’t occur to eliminate unnecessary regulations and dramatically reduce building permit fees and red tape, the future of the American economy will be affected for many many years.

There are many more “not thought through” government initiated programs that are mainly paid for by new construction. Examples are buying up developmental rights to leave land undeveloped and other regulations to protect the environment. These programs benefit everyone, but instead of spreading the cost over society and thus reducing the tax to a palatable figure, government placed the cost on one entity, the new home buyer. The costs of mitigation measure that benefits all should not be added to new construction because it makes housing more unaffordable and adds to the ROOT cause of the housing crisis.

Government seems oblivious or unsympathetic to the fact that these costs accumulate and eventually overwhelm the new home buyer. Government did not understand that new construction pays its fair share. There are sales taxes on materials. Construction wages paid result in sales taxes when their families shop. A \$300,000 home generates in excess of \$18,000 in extra sales tax and another \$330 from a .11% transfer tax. Some cities impose transfer taxes that exceeded 1%. Furthermore, construction activity significantly decreases unemployment costs. In perspective, the \$18,000 in extra taxes generated by a \$300,000 home may be more than the state and federal taxes paid by individuals who purchase the new homes.

## **TAXES ON PROPERTY ARE DETRIMENTAL**

**Sales taxes and income taxes have a direct relationship to a person’s ability to pay. Taxing property is a very poor choice because property taxes do not have a relationship to a person’s ability to pay and greatly distress and burden the young, old (retired) and average income earner. Furthermore, since construction is a major part of the economic engine, government should stimulate, not overtax, this sector of the economy.**

A conflict of interest exists for lobbyists, environmentalists, government employees and the elected officials who voted to place huge costs on new construction. Community development departments increased in size and their budgets swelled during flush times. More money was available for government employee wages, benefits, and retirement programs. An even greater conflict of interest was their homes increasing \$15,000 in value for every \$100,000 of fees and regulations. The extra \$15,000 represents the builder’s profit on the \$100,000 in extra costs.

Existing homeowners falsely believed they greatly benefited from the rising value of their home. Most homeowners did not realize the rapid price increases were in a large part due to fees and regulations. They borrowed against their increased equity and bought rental homes to get in on the rapid price increases. This led to the frenzied spiral of over-inflated home prices. However, even without the

recession, the huge increase in equity in the existing homes evaporated when home owners had to lend their children money so their children could qualify and buy the higher priced homes.

## **SOLUTIONS**

1. The key to a rejuvenated economy is addressing the major **ROOT** cause of the recession. One solution could be utilizing interstate commerce laws and passing federal legislation limiting total building permit fees and auxiliary costs to no more than 3 percent of construction costs. Passing such legislation will cost the federal government little, unlike the other bailouts the federal government has already authorized, such as the one time new homeowner's tax credit of \$8,000 as previously discussed. That \$8,000 tax credit benefited a select few at the cost of everyone. Passing legislation, as suggested, would help more people afford homes, be easier to administer, and greatly reduce the discrepancies in permit costs between cities, counties and states.

2. Another part of the solution is to pass legislation requiring studies of the unintended consequences of the mitigation measures recommended in the initial environmental impact reports, and that the proposed mitigation measures be: 1) reasonable; 2) the most cost effective solutions 4) to access their economic impact 4) and paid for by all (all who benefit). Environmentalists do not want to do more harm to the environment and should not be opposed to the legislation suggested.

3) Have a positive economic impact

4) Paid for by all (all who benefit). Environmentalists do not want to do more harm to the environment and should not be opposed to the legislation suggested.

California already collects some of the highest income, sales and property taxes in the United States. Additional taxes on new construction are not needed and should not be relied on because they have huge detrimental leverage effect and other effects that are the **ROOT** cause of the economic crisis.

5. More effective use of tax dollars is needed. The majority of tax dollars is spent on education. Schools have a **terrible business** plan. The United States spends more than other nations on education but we test **near the bottom**.

6. We could easily cut education expenses in **half** and also **raise test scores**. I encourage you to go to [Khanacademy.org](http://Khanacademy.org) which is a free educational web site backed by the Melinda and Bill Gates foundation. I suggest you and all parents view the **Sal on the Khan Academy @ TED** video at the [Khanacademy.org](http://Khanacademy.org) web site that describes why this education technique is successful. Los Altos School District has had great success using this site.

7. If half of the dollars spent on education (or prisons) could be used for paying off the debt and doing comprehensive reevaluations of all existing governmental programs, we could get out of this financial crisis.

These suggestions will increase governmental income as construction resumes. More sales tax would be generated from building materials and from income taxes realized from jobs created. The governmental expense of unemployment will be greatly reduced. The expense of specialized stimulus packages will be eliminated.

The government has a relatively short window of time to rectify the problem of overtaxing one entity (new homes). If legislation reduced the price of a new home built in 2010 from \$350,000 to \$225,000 by reducing the taxes, fees and over regulations on construction, it would be seemingly unfair to those people who bought the \$350,000 homes. However, the recession has already reduced the value of the recently purchased \$350,000 houses to \$200,000 and thus it will not affect these people.

Construction is a major economic engine. We have all witnessed the negative result of pushing the cost of housing beyond the grasp of the common citizen, the far-reaching effect on the entire economy and especially on those communities that overtaxed new construction. Many communities that did not overtax new construction did not have rapid inflation of home prices and thus home prices did not greatly decrease in this recession. The suggested legislation will not alter these markets. Our legislators must ACT now and if they don't, we must ACT now and vote them out of office.

A grass root organization called **ACT (Alliance for Controlling Taxes)** has been established by a group of citizens to educate politicians and the general population concerning the unforeseen consequences of prior fees and regulations placed on housing. ACT intends to suggest solutions to stabilize and stimulate our failing economy. ACT welcomes all who would like to actively research and advocate for sound solutions which may improve not only the local but the national economy. ACT will be funding the publication of the foregoing educational information in major newspapers, explaining why the U.S. is in the current recession and what citizens can do to counteract the continuing decline.

If you would like to join in this effort or to donate financially, contact ACT today. ACT anticipates support from Businesses and people from all walks of life, since nearly everyone is affected by this economic crisis. Your participation and or donation directly helps you. Also, people with a variety of skills are being sought to help with website development, identifying creative means of informing the public and access to public officials who have the ability to make the necessary changes.

Contact us at ACTforTaxChange @ gmail.com, or call 254-522-8669 (2545 ACT NOW). Send donations to ACT, 2818 Golden Eagle Drive, Stockton, CA 95209

### **A Suggestion Made To ACT. ACT Welcomes Your Opinions & Suggestions**

The mortgage crisis is created by what? People who cannot afford their mortgage payments. So we force them out of their homes. Banks go under, property values of nearby homes plummet, jobs are lost, and the American people get stuck with an \$800 billion bailout.

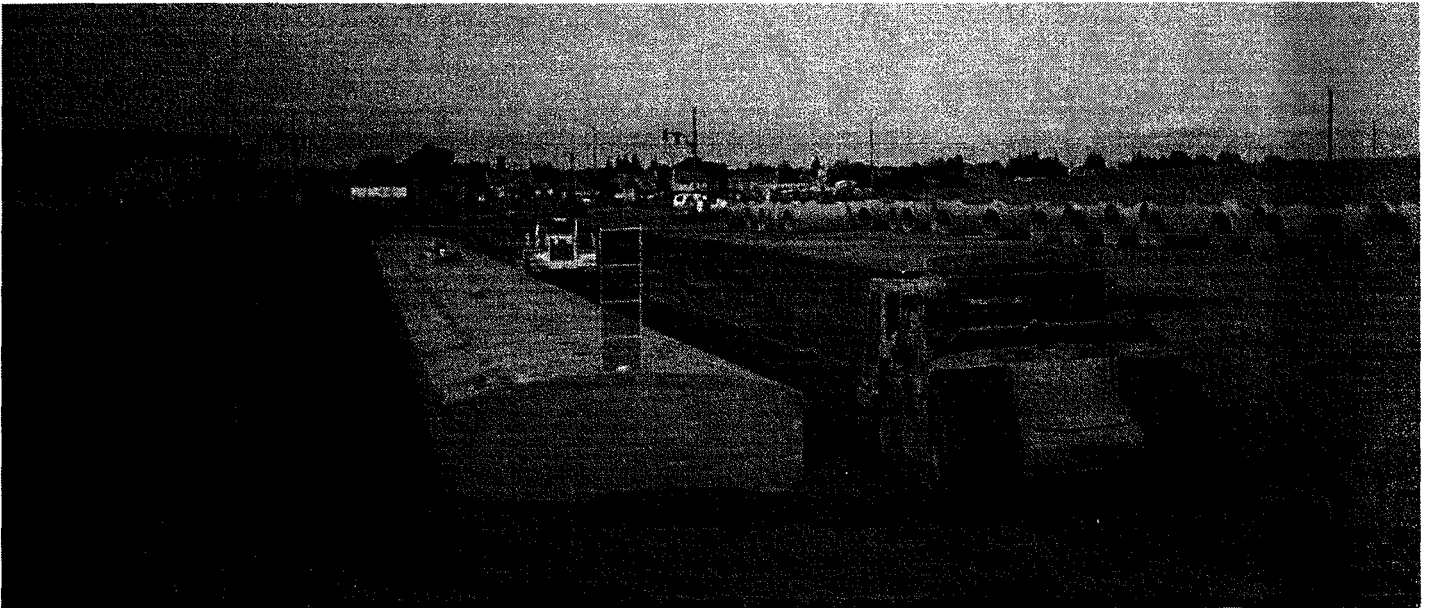
Why not let these people stay in their homes, and let them continue making whatever payments they were able to afford in the beginning? Yet, nobody should get a free lunch. The government (a.k.a. US taxpayers) can pay the difference of the mortgage, and take partial equity on the value of the house. In other words, if the Fed pays \$1000 of the mortgage payment, the Fed gets \$1000 of equity and collects that equity when the home sells. The banks will not have bad loans. Banks will become liquid again because there will be less defaults. The housing market becomes stable again because the glut of short sales and foreclosures disappears. Our own property values will increase because there won't be "Short Sale" and "Foreclosure" signs everywhere. When the houses are eventually sold, American taxpayers reap the rewards of shared equity, leading to the possibility of reducing taxes in the future.

Sufficient laws must be in place preventing **any** bank or agency from making the kinds of loans that are unsustainable – the kind that got us where we are today.

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An expensive 400 foot long, 16 foot wide, 8 foot tall storm drainage tank. \$50,000/year of taxes are collected from 303 houses to maintain the tank. Inside the tank are 3 foot tall dams about every 20 feet. The dams create many ponds. Fine dirt settles in the ponds. After many years, the sludge is removed, trucked to a site and dried. It is then trucked to a landfill. Billions of dollars will be spent on rainwater treatment, but very little water will be treated. Calculations reveal little if any improvement will be seen in the streams. The well intended Clean Water Act's implementation was not thought-through. Unintended consequences include air pollution and green houses gasses from the hydrocarbons burnt to manufacture, install the tank and haul off the sludge. The tanks can become huge bombs as a result of gases accumulating in the tank from the fermenting of organic matter such as leaves, or spillage of flammables, or from leaks in natural gas lines. The tanks are breeding pools for mosquitoes that can carry the West Nile Virus